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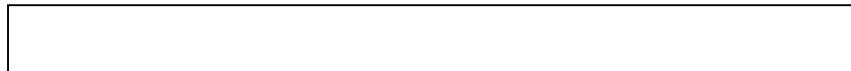
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CIA/SC/RR 155
Dissemination Authorized
Assistant Director
Office of Current Intelligence

18 October 1956

No. Pages - 36
Copy No. - 63

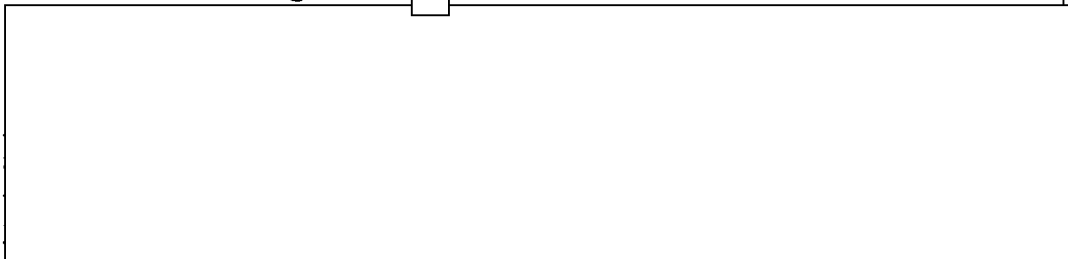
RECENT REFORMS IN SOVIET INDUSTRIAL MANAGEMENT



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FOREWORD

This report deals with recent reforms in Soviet industrial management and is a companion report to CIA/SC/RR 149, Management of the Soviet Industrial Enterprise, 7 August 1956, TOP

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CIA/SC/RR 155
(ORR Project 41.915)

RECENT REFORMS IN SOVIET INDUSTRIAL MANAGEMENT*

Summary and Conclusions

Since the death of Stalin the USSR has undertaken a number of administrative reforms for the purpose of increasing managerial initiative and efficiency. Growing manpower shortages have led to the attempt to transfer personnel from administrative to production jobs in order to improve the ratio between white-collar and other workers. The reform program has included streamlining managerial structures and reducing staffs, simplifying plans and planning procedures, delegating more control over operations to enterprise management, and transferring several ministries from All-Union to union-republic status.

The national planning process was simplified by reducing substantially the amount of detail referred from lower administrative levels to the central specialized agencies -- Gosplan, Gosekonomkomissiya, and the Council of Ministers -- for approval. Much of this detail now is included only in Soviet ministerial plans and not in the over-all economic plan. By 1955 the plans of many chief directorates and enterprises also had been simplified. These reforms made it possible to transfer certain functions and responsibilities from higher to successively lower managerial levels. Ministries began to play a more important role in planning. Enterprises, however, did not begin to assume an authority comparable to their responsibility for plan details and plan formulation until the 1956 Plan was being formulated, and even then their actual influence still was small.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 September 1956.

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As in planning, the relaxation of central operational controls first became noticeable at the ministerial level, which received increased discretionary authority to schedule production and dispose of resources. Following this, the powers of enterprise managers were increased, and recently they were given the right within specified limits to change technological processes, to alter internal tables of organization, to carry over wage funds into subsequent plan quarters, to spend working capital for repairs, to dispose of surplus materials, and to accept independent purchase orders from other enterprises and organizations. These changes may be expected to improve Soviet industrial management.

Another development in the relaxation of central operational control has been the establishment of regional centers of authority through the change of 12 All-Union ministries to union-republic status.* In the industries concerned, important regional centers of production are now under ministries at the republic level. Many responsibilities formerly dispersed among several independent organizations in the field as well as in Moscow have been thus brought under a single local authority. Moreover, many staffs and organizations, central and local, were either eliminated or consolidated.

The establishment of union-republic ministries resulted in a reduction in the supervisory apparatus of the parent ministries and the transfer of a number of functions and powers from Moscow to the republics. This decentralization had less to do with policymaking than operations, where the delegation of responsibility is substantial.

* The reorganization of these ministries from All-Union to union-republic status meant establishing subdivisions of them in one or more republics and, consequently, increasing the authority and responsibility of these republics while simultaneously decreasing the central ministerial apparatus in Moscow. In the US, for example, if the national government were to give the State of Tennessee a certain degree of operational control over the Tennessee Valley Authority, the change would be roughly analogous to this organizational change in the USSR.

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The newly created ministries in the republics are, in fact, handling more and more of the administrative details required in the supervision of production.

The attempt to reduce certain central controls has brought the Soviet government face to face with the difficult task of stimulating lower level initiative without undermining discipline, of creating a sense of participation among managers without giving them the right to challenge basic policies, and of encouraging managerial reform without allowing an unreasonable (from the central point of view) amount of freedom of action. Consequently, agencies outside of the formal managerial hierarchy, such as the State Bank, the Ministry of State Control, and the Communist Party have been directed to intensify their surveillance of industrial management. This may partly offset the liberty of action granted to ministries and plant directors by the reform measures.

I. Introduction.

Beginning in 1953, reforms in Soviet industrial management were gradually introduced which, by the summer of 1955, had developed into a broad program for the correction of a number of shortcomings. This program stresses the following: (1) accelerating technological improvement; (2) achieving a more rational geographic distribution in Soviet industry; (3) raising labor productivity, not only by technological means, but also by revamping the whole wage and incentives system; and (4) reforming the industrial planning procedure in order to eliminate waste and inefficiency.

The importance which Soviet leaders attach to these policies is indicated by the fact that they have been incorporated within the Sixth Five Year Plan (1956-60) and that several high-level agencies have been created to supervise important aspects of the program. The production targets of the Sixth Five Year Plan are based on the

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expectation that this program will help to increase output in the existing facilities to such a degree that the achievement of plan goals will be facilitated.

Soviet leaders have publicly recognized since the death of Stalin that serious defects in industrial planning and management had developed as a result of overcentralization during the war and the subsequent period of reconstruction. On many occasions they have publicly acknowledged that these practices tended to discourage the initiative and flexibility of management at the production level and to divert substantial resources and personnel to unproductive activities in the staffs and departments of the administrative management hierarchy. The reform program was designed to correct this situation.

The program of managerial reform attempts to cut down on wasteful administrative practices and to decentralize certain administrative functions. Detailed central planning for specific enterprises and local areas, the central hiring and firing of personnel for the lower levels, and a general lack of sufficient authority on the part of managerial officials below the Council of Ministers level -- from ministers to plant managers -- have, for example, received particular attention.

Soviet decentralization may involve two distinct approaches. First, the authority to make certain decisions may be delegated to subordinate organizational units -- that is, functional decentralization. A minister in Moscow, for example, may delegate some of his powers to the head of one of the chief directorates of his ministry. Second, the decentralization may be primarily geographical in nature -- for example, the Minister of Ferrous Metallurgy, USSR, may delegate some of his decision-making power to the Minister of Ferrous Metallurgy in the Ukrainian SSR. Decentralization would then result in the establishment of more than one policymaking center for setting targets and controls for lower organizations. These centers of policy would have at least limited power to establish and pursue divergent procedures if not policies.

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In current Soviet usage, decentralization is a limited concept which is applied to operational management more than to broad policymaking. Historically, a high degree of centralized management has been the guiding principle of the Soviet economy. In the absence of the price system as a governing factor in investment determination in the USSR, the central determination of investment policy is the indispensable substitute. The technique of allocating investment from Moscow makes necessary the central determination of both procurement and sales of goods and commodities. Soviet officials therefore give no consideration to the theory that the central government should relinquish its power to issue guiding directives on economic planning, to allocate resources, to establish basic plan quotas, to select managerial personnel, to organize checks and controls over plan implementation, and to order measures for removing shortcomings in production. The Soviet system is based on the assumption that basic policy decisions concerning the allocation of resources as well as the power to establish economic targets and to supervise their execution will continue to be the prerogative of the central government. Intermediate or lower managerial levels are not being given the authority to establish or pursue economic targets which differ from those established by the central authorities. Lower Soviet managerial organs, however, are being given somewhat greater discretion in determining how the economic resources under their control can be used to fulfill plan quotas.

The current Soviet approach to managerial reform is thus an attempt to set up a local area of authority more compatible with local responsibility in the production process. Soviet leaders now hold that the central authorities should concern themselves only with central or major responsibilities -- otherwise, they are encumbered with administrative detail and the managerial hierarchy is complicated and confused. By permitting managerial personnel at the scene of operations to decide more of the detailed questions in the formulation and implementation of production plans and by restricting higher officials to the solution of fundamental problems, it is expected that greater efficiency and flexibility in management, increased productivity, and more efficient use of resources will be achieved. The methods employed to achieve improvement involve, therefore, a realignment of the existing balance between direct and indirect controls rather than a fundamental change in the system of Soviet management.

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II. Developments in Managerial Reform.

A. Simplification of the Managerial Structure and Reduction of Staff.

Soviet policymakers have attempted to eliminate superfluous administrative links between the central and the local, or production, levels of industrial management and to consolidate staffs within the ministries which perform similar functions. They also have tried to reduce the number of workers engaged in supervisory and clerical activities. Elaborate organizational structures and overstaffing were criticized even under Stalin, but the distinguishing feature of the new regime's program is that it is vigorously compelling all levels of the managerial hierarchy to corrective action. 1/*

The administrative weaknesses which have been most frequently attacked in the USSR are the following: a confusing, multi-stage ministerial chain of command extending downward from the minister through the chief directorates, regional directorates and associations, combines, and trusts to the individual producing enterprises 2/; a great number of sales and supply organizations at all levels of the hierarchy; and numerous and varied central ministerial departments, all of which have had a hand in directing field operations in such matters as construction and repair.

Simplification of the structure of the higher echelons of control was the first step taken to correct these deficiencies. 3/ The Minister of Finance, Zverev, announced by late 1954 that -- in 46 ministries and departments -- about 200 chief directorates and independent divisions, 147 trusts, 898 supply organizations, 4,500 offices, and numerous smaller subdivisions were being eliminated. 4/ He also claimed that the administrative staffs of the Soviet ministries and departments had been reduced 20.6 percent between 1952 and 1954. 5/

* For serially numbered source references, see Appendix E.

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Also in 1955, increased attention was given to the reorganization of republic ministries and directorates and of enterprises and the local governmental apparatus. 7/ []

[] The establishment of union-republic ministries brought a significant consolidation of authority in the geographic areas concerned and notably reduced the number of independent service and support organizations operating as separate entities.**

Simplification of the managerial structure made it possible to reassign some administrative personnel to production activity. A Council of Ministers decree of 31 December 1950 (under Stalin) ordered a 5-percent reduction in the administrative staffs and administrative wage funds of all organizations. 9/ In 1953 the new leaders ordered another flat 5-percent reduction in administrative-management personnel and expenses. 10/ Personnel released from administrative assignments were to be transferred to direct production activity. Throughout 1954 and 1955 there were indications that these decrees were being enforced and that reductions were being made in both administrative tables of organizations and wage funds. 11/

The effectiveness of the Soviet drive to transfer managerial personnel to production jobs is rather difficult to appraise. Late in 1954, Vulkov, Chairman of the Council of the Union of the Supreme

* See Appendix A.

** See III and IV, pp. 18 and 24, below, for a fuller discussion of this development.

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Soviet, USSR, indicated to the Yugoslav ambassador that the total number of persons released from the state apparatus might be more than 1 million. ^{12/} There were, however, numerous complaints during 1954-55 that administrative personnel released by one organization found similar jobs elsewhere, and the reductions were carried out by abolishing unfilled positions or by changing job titles without changing the functions of the employees concerned. ^{13/} One recent report indicates that salaries of administrative and professional classes in the USSR are being cut drastically in order to discourage resistance to the government's policy of reducing the administrative apparatus. ^{14/} In his budget speech to the Supreme Soviet in December 1955, Minister of Finance Zverev announced that in the preceding 2-year period (1954-55) the number of persons employed in the administrative apparatus of enterprises, establishments, and organizations had been reduced by nearly 750,000, at an annual saving of 7.2 billion rubles. ^{15/}

B. Simplification of Planning.

Soviet leaders have sought to improve planning by directing the specialized planning agencies to concentrate on fundamental problems of economic development and the current operation of the economy and by relegating to lower managerial levels the responsibility for detailed planning. This directive was implemented by dividing the old State Planning Committee (Gosplan) in 1955 into a State Economic Commission (Gosekonomkomissiya) and a State Planning Commission (Gosplan), which were made responsible for short-term and long-term planning, respectively. The responsibility for the economy-wide planning of production specialization was centered in these new planning agencies. They were also given the task of improving the general distribution of productive forces in the USSR. ^{16/} The State Economic Commission was directed to establish "a strict control over timely deliveries and inter-departmental cooperation." ^{17/} In this manner these specialized agencies were made immediately responsible for specific planning problems related to important phases of national economic planning.

Simultaneously, planning responsibilities of less general significance were transferred to intermediate and lower managerial

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levels. Beginning in 1953, an effort was made to simplify the national plan and to reduce the amount of detail referred to the central planning authorities for approval. In line with this policy, the number of products listed in the national plan for industrial production in 1955, for example, was reduced to one-third of the number included in the 1953 Plan. This meant a reduction from 5,000 to 1,700 items. 18/ Between the 1954 and 1955 Plans alone, the list of products was reduced by 52 percent. 19/ Specific items eliminated from the production plan include industrial products consumed by a single ministry and not in short supply, products of regions or republics intended primarily for local consumption rather than for regional economic development, and goods produced by small subsidiary enterprises such as those attached to construction organizations or departments of workers' supply. 20/ The national plan continues to include all products not produced in sufficient quantity to meet the demand of all sectors of the economy.

Similar reductions of detail were made in other sections of the national plan. Between 1954 and 1955 the total number of detailed estimates included was reduced by 46 percent. 21/ The state supply plan, for example, no longer lists products manufactured and consumed in a single branch of industry or having a small number of consumers. Categories of allocated equipment and the list of organizations for which allocations are prescribed were reduced. 22/ Likewise, limits for manpower and the wage fund were set for ministries as a whole with a minimal breakdown by basic branches in the labor plan for 1955. Only the wage fund and the number of laborers were specified. 23/ Details related to such matters as on-the-job training were eliminated completely.

The capital investment plan was simplified by redefining above-limit projects -- that is, projects which require special approval from the Council of Ministers because of the size of the expenditure involved. Before the reform, projects costing above the range of 1.5 to 10 million rubles, depending on the type of project, required specific approval from the Council, but now the range of expenditure not requiring Council approval has been raised from the previous level to from 5 to 25 million rubles. This increase in permissive expenditure reduced the number of above-limit

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projects by 40 percent during 1954. 24/ The expenditure limit for municipal construction projects requiring Council approval was raised from 5 million to 10 million rubles in the 1955 Plan, and housing construction was eliminated from the list. 25/ Apart from specific costs, however, plans for the regional distribution of new enterprises and the size and type to be built still require Council approval.

Details eliminated from the national plan are now determined at the ministerial or a lower level. The plan simplification thus brought a substantial increase in the planning prerogatives of industrial ministers. In recognition of this fact, they were granted a number of specific powers. With the consent of the State Planning Commission, USSR,* industrial ministers may now change plans for their subordinate units in the various republics, krais, and oblasts of the RSFSR to produce specific types of products, without formally amending the over-all plan. 26/ Ministers may also modify the financial plan for production of individual items in a given quarter, within a limit of 2 percent of the total authorized amount, without formally changing their budgets. 27/ In addition, they have been given greater discretion in reallocating the working capital of subordinate organizations, transferring credits, and determining their own needs for capital repair of fixed assets. 28/

Ministerial control over the planning and utilization of material, labor, and financial resources similarly has been broadened. Beginning with the 1954 Plan, allocations of materials and supplies to the ministries were consolidated, and the latter determined their distribution among subordinate organizations. 29/ The 1955 Plan introduced similar practices with respect to manpower. Only the total number of laborers and their wage fund was specified centrally, and each ministry determined its own needs for engineering-technical, clerical, and other categories of personnel within the general limits of its labor plan. 30/

* The State Economic Commission would now presumably examine proposals for changing current production plans.

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The Central Committee of the Party and the Council of Ministers, by Decree No. 1422 of 5 July 1955, granted enterprises the right to participate in formulation of Five Year Plans. 31/ The official line for many years has been to urge enterprises to take a more active role in drawing up Five Year Plans, but previously no effort was made to provide them with the powers necessary for effective participation. The new policy of simplifying planning was also extended to the enterprise level. The ministries were instructed to reduce the number of forms and details in the annual technical-industrial-financial plan of enterprises. Moreover, the procedure for ratifying the enterprise plan was improved. Enterprises now submit a draft plan to the ministries which contains estimates and proposals relating only to basic factors such as production in monetary and physical units, the number of workers and employees, the wage fund, and the projected increase in labor productivity. 32/ The draft is signed by the director, by the secretary, and by the chairman of the plant, party, and trade union committees, respectively. The latter two officials may formally dissent from the recommendations of the director. 33/ After the basic goals of the plan have been approved, the details of the complete technical-industrial-financial plan are worked out by the enterprise and approved by the director. The final plan is then sent to the ministries for control purposes. .

Enterprise directors have also been granted the right to establish and change internal tables of organization and, upon consent of their plants' customers, to modify quarterly production plans for finished items, except those which are mass produced. 34/

The implementation of planning reforms has proceeded somewhat slowly. National considerations necessarily take precedence, and in dealing with a number of local problems the Soviet government is still somewhat reluctant to relax central controls. By Order No. 12053 of November 1954, for example, the Council of Ministers, USSR, restricted the authority of Soviet ministries and departments and of councils of ministers in the republics to redistribute appropriations and to change the volume of capital investment in approved annual plans. 35/ The order specified that in the future such changes

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could be made only on the authorization of the Council of Ministers, USSR. As recently as February 1956, Saburov, head of the State Economic Commission, indicated that overriding national considerations frequently have caused the Council of Ministers to alter the more narrowly conceived ministerial decisions and recommendations. 36/

In spite of these restrictive tendencies, however, the recent emphasis has been on carrying through the transfer of planning functions from the Council of Ministers and the planning commissions to the ministries. The latter now exercise greater control over the plans and allocation of resources to subordinate organizations. 37/ They also have been urged to show greater initiative in exercising their new powers. In November 1954 the Minister of Finance, USSR, sharply criticized ministries for referring to the Council of Ministers questions which they had the authority to decide for themselves. 38/ At the XXth Party Congress in February 1956, Saburov made the same criticism, but indicated that he thought the situation was improving. 39/

The success of the planning reforms at the enterprise level, however, is more uncertain. In November 1954 the Minister of Finance, USSR, acknowledged that excessive detail and supervision still characterized the planning process under many ministries. 40/ Participants in the Industrial Workers Conference in the spring and summer of 1955 and in the July session of the Plenum of the Central Committee of the Communist Party similarly complained that freedom of action of enterprise managers was still unduly restricted.

 The high-level emphasis on compliance with the managerial reforms accelerated the planning process, and the 1956 Plan was ratified by the Council of Ministers as early as 16 November 1955. 44/

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C. Relaxation of Central Operational Controls.

The immediate objective of the current managerial reforms is to diminish excessive centralization not only in planning but also in many types of managerial control. The new approach is to increase the freedom of action of agencies and persons engaged in the direction of production. This applies to ministries, which now exercise greater control over their supplies and manpower, as well as to directors of individual enterprises.

In April 1955 a number of key industrial managers were called before a meeting of the full Party Presidium for consultation on the position of enterprise directors. 45/ In the following month, some of them (apparently with the support of key Soviet leaders) complained vigorously about lack of powers at a national conference of industrial personnel. 46/ Their principal complaints were summarized by Bulganin in his report to the July Plenum of the Central Committee of the Communist Party, as follows:

At present the director of an enterprise does not have the right to spend funds on the implementation of organizational technical measures connected with the introduction of advanced technology and rationalization proposals. He is deprived of the possibility of acquiring, on the account of turnover funds, inventory and minor equipment required for production. The rights of the director of an enterprise regarding the establishment of personnel lists and the utilization of the wage funds allocated for this purpose have been excessively restricted. The director of a plant cannot independently accept and execute orders placed by other organizations even in those cases when some production sections of the plant are not working to capacity and the order could be executed without harming the basic program of the enterprise. There are other questions as well which at present have been removed from the competence of the director who, however, should be given the right to decide them.

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A restriction of the rights of directors of enterprises results in a lowering of their responsibility for the state production. 47/

Bulganin also emphasized the need for increasing the authority of foremen, and the Party Plenum adopted a resolution stressing the necessity for "widening ... the powers of directors, heads of shops and foremen in enterprises." 48/ A special commission was set up to draft a new statute dealing with the powers of enterprise directors. 49/

The high-level interest in this problem has already brought several concrete reforms. By Order No. 2879 of 8 April 1955, the Council of Ministers, USSR, empowered enterprises to sell surplus materials and supplies. 50/ The enterprise manager also has been authorized to accept from other enterprises and organizations independent purchase orders which cover the production of goods from raw materials and stocks of the customers or from materials and production waste of the enterprise, provided that their use does not interfere with the production plan. 51/ The enterprise manager may now change technological processes in the production of individual parts, on condition that this will not result in an impairment of quality, an increase in production costs, or a change in established technical specifications. 52/ Finally, enterprise management has been authorized to alter the structure and staffs of shops and other internal divisions within the general limits of the labor plan, to carry over wage funds from one quarter to subsequent quarters of the same year, to spend working capital for capital repairs up to the limit of 500 rubles, and to exercise more discretion in using assigned funds. 53/

The introduction of additional reforms can be expected as work progresses on a planned Statute for the Rights of Enterprise and Trust Managers.* Soviet management analysts recently have suggested more far-reaching reforms. They stress the need for removal of restrictions on the freedom of enterprise directors to

* As late as December 1955 the special commission on the new statute was still preparing the draft.

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introduce technological improvements on their own initiative, for even with his new powers the enterprise director may spend working capital for such purposes only up to a limit of 500 rubles. 54/ This proposal, however, may encounter resistance, for such a restriction clearly indicates that Soviet leaders are reluctant to weaken central control over investment.

Soviet analysts also have proposed that the sharp distinction between fixed and working capital should be abandoned and that enterprise directors should be given much greater control over their free working capital and should be permitted to use funds allocated for investment or capital repairs without "petty tutelage" by financial organs. 55/ It also has been suggested that ministries should be permitted to reduce the production plans of enterprises in order to make up for initial losses incurred in introducing technological changes. Other regulations which have come under attack are (1) the exclusive right of ministers to authorize the transfer or dismantling of equipment, (2) the right of financial organs to fix wage rates, and (3) the former mandatory limits on tables of organization and wage funds for enterprise administrative personnel. 56/

The broader implications of this problem are discussed in an article which points out that reforms can have little practical effect unless ministries and other supervisory organs are prohibited from interfering with the legitimate activities of enterprise directors. The article, therefore, maintains that such superiors should have no authority to restrict the exercise of initiative at the enterprise level unless explicitly empowered to do so by the Council of Ministers. 57/

It has also been pointed out that enterprise directors are not offered incentives commensurate with the initiative expected from them. They do not receive higher remuneration for producing high-quality as against low-quality goods. 58/ Moreover, although encouraged and sometimes even forced to improve production methods, they are penalized if the experimental introduction of innovations results initially in a drop of the annual production figure below the plan quota. When the annual plan provides for the introduction of technological improvements and corresponding savings

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in production costs, enterprise directors have to bear the consequences if the anticipated savings do not materialize. 59/ Thus they have to assume the full risk involved in technological progress without being offered corresponding rewards in case of success. Another practice which does not stimulate managerial initiative is that of transferring above-plan profits from efficient enterprises to enterprises making little or no profits.

Possible solutions to these shortcomings are being investigated. With respect to the practice of draining off above-plan profits, it has been recommended that ministries be prohibited from altering the working capital of plants after the plan has been finally approved and amended. It has also been suggested that the redistribution of enterprise funds should be carried out or supervised by appropriate financial organs other than the ministry. 60/

Implementation of the new policy of reducing centralization of managerial control has proceeded somewhat slowly. Restrictive practices of the kind which have been widely criticized continued to prevail until quite recently. []

[]
[] The changes already introduced, the attention given by top Soviet leaders to new proposals for improvement, and the inclusion of managerial reform in the objectives of the Sixth Five Year Plan, however, indicate that Soviet officials intend to carry through the new policy.

Soviet leaders are aware of the risks involved in relaxing central controls in a planned economy. Increases in the discretionary authority of intermediate and lower management obviously carry with them the danger that decisions may be influenced by regional or local rather than national considerations. Moreover, relaxation of central controls may mean that top administrators will not be cognizant of actions inconsistent with broader policy objectives. For these reasons, measures to tighten surveillance by control agencies outside of the ministerial hierarchy have

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accompanied the above reforms. A State Committee of the Council of Ministers on Technology (Gostekhnika) was created in May 1955 to oversee the introduction of automation and other technological improvements, 62/ and a State Committee on Labor and Wages (Gosudarstvennyy Komitet po Voprosam Truda i Zarabotnoy Platy) was established to supervise both a revision of work norms and the wage and incentives system.

Many of the existing control agencies also have been directed to exercise greater vigilance in enforcing state economic directives. In his speech to the XXth Party Congress, Khrushchev urged the Ministry of State Control, USSR, to improve its supervision over the execution of Party and government decisions. 63/ Party committees repeatedly have been directed to give more attention to production matters and to the implementation of central policy decisions. 64/ In the Gor'kiy Motor Vehicle Plant, for example, the Party committee forced the management to review the 1956 Plan three times in order to find means of increasing production assignments. 65/

Trade unions and the banks have also been directed to exercise greater vigilance over lower level managers. Gosbank, for instance, by the Decree of 21 August 1954, has been given greatly increased monetary control over enterprises. Among other things, Gosbank may now impose severe penalties on inefficient enterprises which fail to fulfill their profit plans. By the same decree, Gosbank has also been given more control over the inventories of enterprises. 66/

These actions show that the aim of Soviet leaders is to achieve better organized and more efficient agencies and methods of control by relaxing some central controls, but not by a complete abolition of control from Moscow. Central determination of basic policy has been maintained, but participation in the decision-making process has been widened, and when particular circumstances have made it desirable, there has been a substitution of local for central decision-making. By this approach, Soviet policymakers may reasonably expect to increase managerial flexibility, to stimulate

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the initiative of intermediate and lower management, to reduce administrative costs, and generally to improve industrial efficiency. Although higher officials have shown some reluctance to relinquish some of their power, and the tightening of external controls such as those exerted by the Ministry of Finance, Gosbank, and Goskontrol may somewhat offset the effects of relaxing central control, the Soviet leaders apparently expect to carry through a program of reform in the relationship between central ministerial control and local ministerial or enterprise management.

III. Ministerial Reorganizations.

The reforms in planning and operational management have been accompanied by organizational reforms at the ministerial level. They have been essentially of two types -- internal administrative simplification and change of the basic structure of ministries from All-Union to union-republic. Three Soviet ministries underwent rather extensive internal reorganization in 1954. These were the Ministries of Internal Trade, the Timber Industry, and Industrial Consumer Goods. The objective was to improve the administrative structure by making it more simple and flexible and to delegate more authority to lower echelons of management. In addition, 12 Soviet ministries had their status changed from All-Union to union-republic. The chief purpose of this type of reorganization was to transfer some of the functions of the parent ministry in Moscow to the republic level.

A. Internal Ministerial Changes.

In October 1954 the Ministry of Internal Trade was reorganized in order to simplify its structure, to eliminate superfluous departments, and to decentralize some of its operational decision-making powers. The accompanying chart* describing the changes within the Ministry shows that a number of chief directorates, directorates, and offices were abolished or reformed into fewer organizations. It is noteworthy that those organizations apparently best suited to republic control (department stores, delicatessens, and the like) have been so relocated. Before the reorganization,

* See Figure 1, following p. 18.

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CHANGES IN THE ORGANIZATION OF THE MINISTRY OF TRADE, USSR, 1954 ^{67/}

FORMER ORGANIZATION

Chief Directorate of Department Stores
 Chief Directorate of Bellcaresses
 Chief Directorate of Stores at Health Resorts
 All-Union Association of Restaurants
 Moscow Catering Organization
 Leningrad Catering Organization
 Chief Directorate of Trade in the Far North
 Chief Directorate of Meat Trade
 Chief Directorate of Oil (fats, butter) Trade
 Chief Directorate of Trade in Khabarovsk
 Chief Directorate of Fruits and Vegetables
 All-Union Office of Tobacco
 All-Union Office of Salt
 All-Union Office of Bakeries
 Chief Directorate of Public Catering
 Chief Directorate of Repair
 All-Union Association of Railroad Restaurants
 All-Union Office of Perfume
 All-Union Office of Wholesale Haberdashery
 Chief Directorate of the Wine Trade
 Directorate of Foodstuffs
 Directorate of Manufactured Goods
 Directorate of Educational Establishments

PRESENT ORGANIZATION

Transformed into Chief Directorates of the Ministry of Trade, RSFSR (establishments of the directorates transferred to the republics)
 Transferred to the Ministry of Trade, RSFSR
 Reformed into one Chief Directorate of Meat and Oil
 Amalgamated and reformed into Chief Directorate of Wholesale Trade in Sugar, Confectionary, Tinned Goods, Tobacco, Salt, and Other Groceries
 Reformed into a Directorate of Public Catering
 Reformed into an All-Union Office of Repair and placed under Directorate of Trade Construction
 Reformed into a Chief Directorate of Railroad Restaurants
 Reformed into a Chief Directorate of Haberdashery
 Abolished. Functions transferred to other organizations

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directorates and offices existed for various commodities such as tobacco and salt. Many of these organizations have been amalgamated, and the functions of several others have been transferred to more appropriate existing units (such as placing the educational establishments under the Directorate of Personnel -- a logical move). In a followup to this reorganization, virtually all trade enterprises subordinated to the central ministry were transferred to the jurisdiction of the republics and to the local governments. 68/

In the first 9 months of 1954 there were a number of minor reorganizations within the Ministry of the Timber and Paper Industry. These changes* involved transfers of some subordinate units both within and outside of the Ministry, the consolidation of some organizations, the reduction of some administrative-management staffs, the abolition of some directorates and departments, and the regional decentralization of several units from Moscow to the field. This regionalization was a result of the censure of the Minister of the Timber Industry for maintaining chief directorates in Moscow which should have been located in the field.

Late in 1954 and early in 1955 the Ministry of Industrial Consumer Goods was reorganized because of complaints that it had superfluous intermediate links of administration, that its managerial activities were confused, and that its technical guidance of enterprises was inadequate. For example, in one oblast, 6,700 rubles worth of flax fiber were said to have been procured by a procurement apparatus costing 52,000 rubles to maintain. 69/ The reorganization** resulted in the dissolution of a number of directorates and subdivisions. The management personnel of the Moscow Ministry was reduced more than 50 percent. Finally, a number of directorates were consolidated and simplified, and some local industry was removed from central control and placed under local jurisdiction. 70/ Since these extensive reform measures did not put an end to criticism of the Ministry, in September 1955 it was broken up into a Ministry of Light Industry and a Ministry of the Textile Industry. 71/ Evidently many problems within the industry persisted,

* See Figure 2, following p. 20.

** See Figure 3, following p. 20.

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and on 30 May 1956 the 2 ministries were again joined into 1 Ministry of Light Industry. The reorganizing decree noted that, with certain exceptions (artificial fiber, artificial leather, and industrial fabrics, and enterprises producing machines and components for these), enterprises of the Light and Textile Ministries would be transferred to the jurisdiction of the appropriate ministries in the republics. 72/

The chief objective of the reorganizations discussed above was to improve managerial efficiency. The main techniques used for this purpose were the abolition of superfluous and parallel administrative organizations, the reduction of the central ministerial apparatus, the transfer of some centrally controlled organizations to the control of republics, and the clarification of the managerial chain of command within the ministries.

B. All-Union and Union-Republic Ministries.

Apart from the above measures, a determined effort has been made to decentralize some Soviet ministerial functions by changing the status of several All-Union ministries to union-republic.

Soviet ministerial organization consists of three main types. The first is the All-Union. Historically it has included ministries of the heavy or basic industrial category, such as the Ministries of Heavy Machine Building, Defense Industry, Chemical Industry, and Shipbuilding. Some ministries engaged in basic services have also been of the All-Union type -- examples are the Ministries of Foreign Trade and of Transportation. The All-Union ministries are highly centralized, and most of their operations are controlled directly from Moscow, although occasionally they do possess a few subordinate field administrations.

The union-republic is the second type of Soviet ministry. Unlike the All-Union, the union-republic ministries have subordinate or counterpart union-republic ministries in one or more of the Soviet republics. The union-republic Ministries of Communications and of Agriculture, for example, have subordinate

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CHANGES IN THE ORGANIZATION OF THE MINISTRY OF THE TIMBER INDUSTRY, USSR, 1954-55 ^{13/}

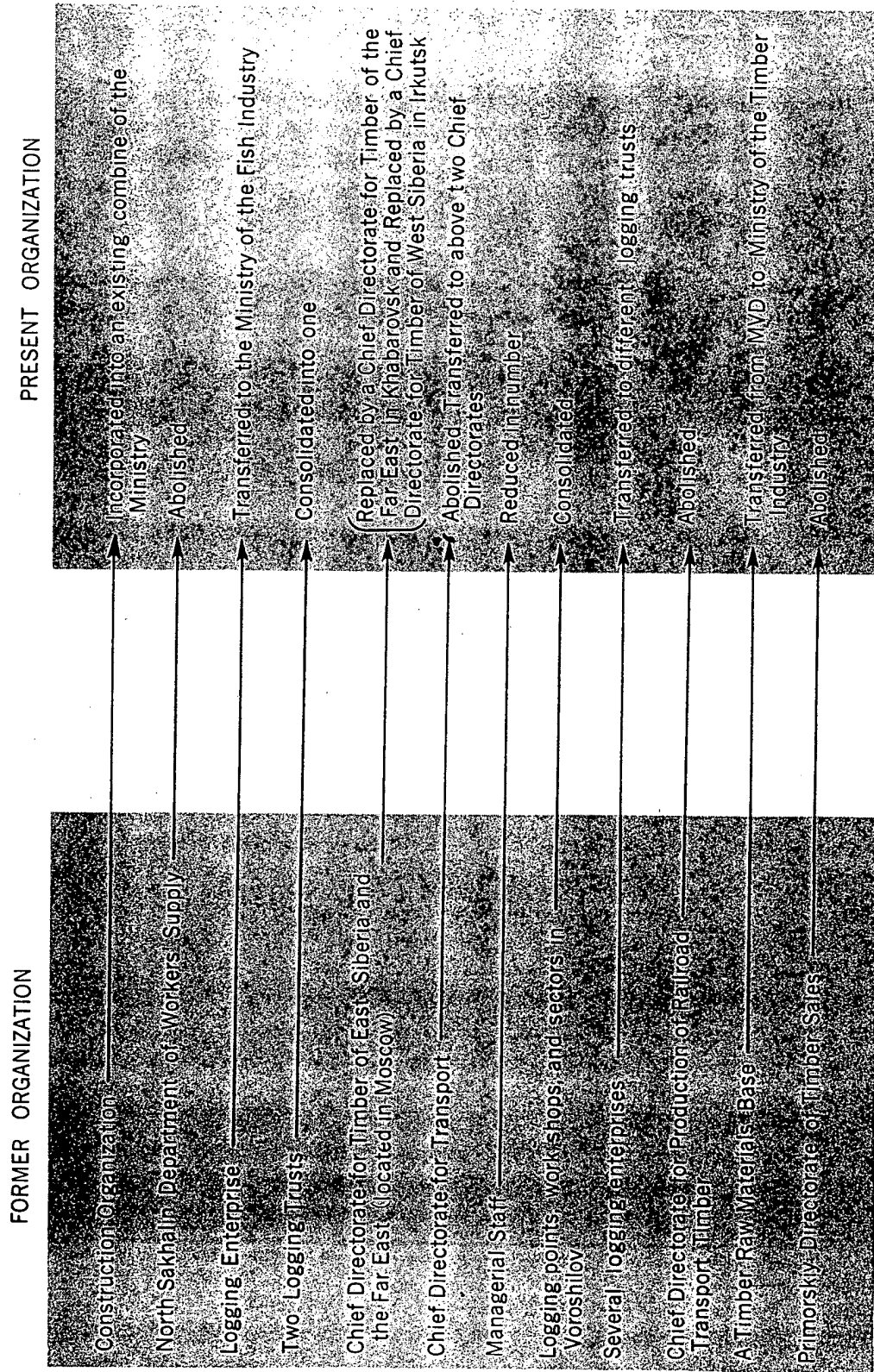


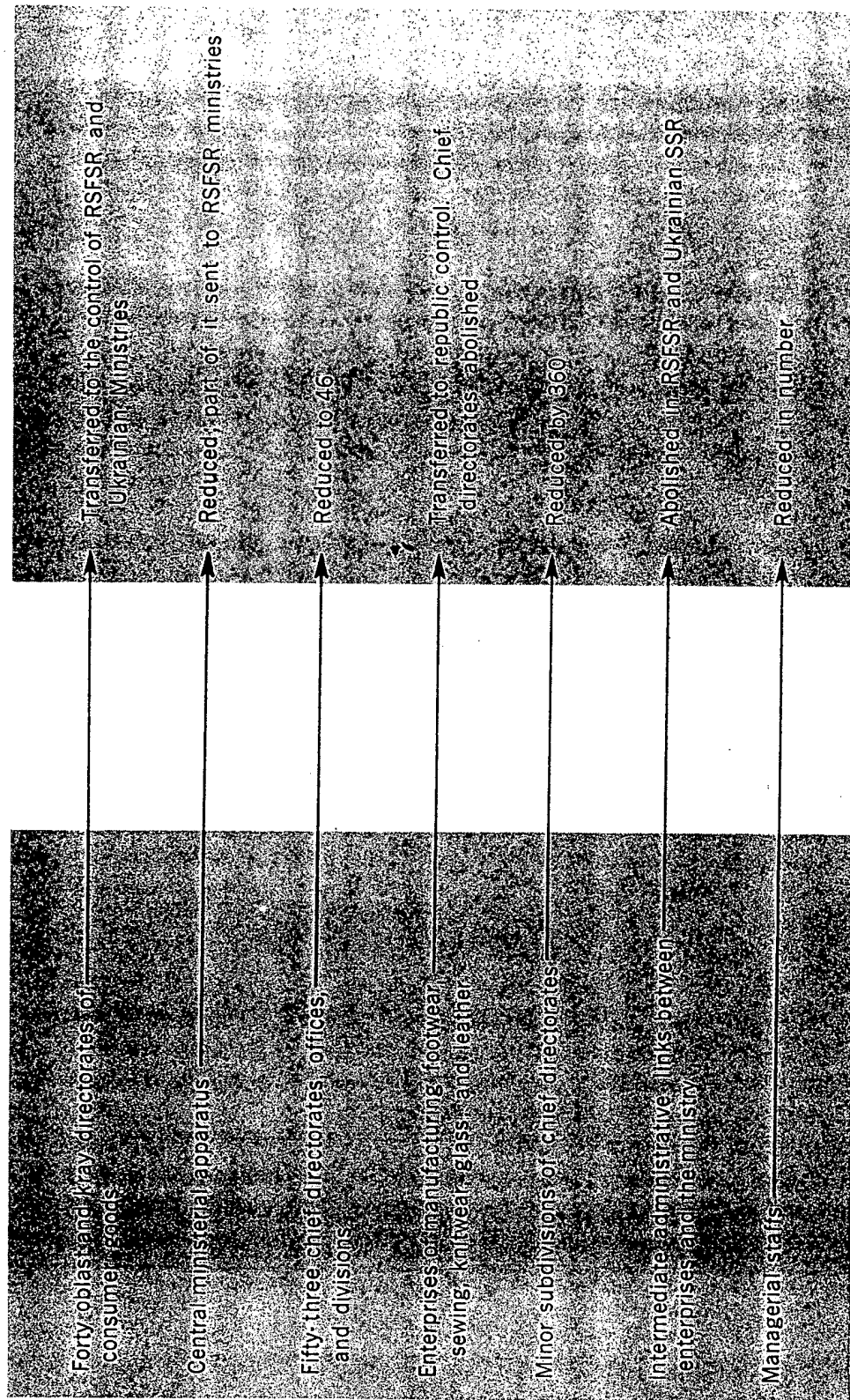
Figure 2

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CHANGES IN THE ORGANIZATION OF THE MINISTRY OF LIGHT INDUSTRY (FORMERLY MINISTRY OF INDUSTRIAL CONSUMER GOODS), USSR, 1954-55 ^{24/}

FORMER ORGANIZATION

PRESENT ORGANIZATION



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ministries in all 15 Soviet republics. The basic purpose of this type of ministry is to provide a less centralized administrative setup with more operational control exercised by republic-operated agencies, so as to improve the operation of the industry concerned and to achieve a better utilization of local resources.

The third category is the republic ministry. These ministries are roughly similar in most republics and usually handle such functions as education, social insurance, local industry, and communal economy. The republic ministries have no counterpart on the national level and are only members of the councils of ministers of their respective republics. The authority of this form of ministry was enhanced by the Soviet decree on decentralization of 30 May 1956, in which one All-Union ministry (River Fleet) and two union-republic ministries (Justice, and Automobile Transport and Highways) were abolished at the national level. A republic Ministry of the River Fleet was established in the RSFSR, with directorates to be formed in other republics where appropriate. The function of operating the legal institutions and authorities of justice was turned over to the republic ministries of justice (in effect, the union-republic Ministry of Justice's counterpart ministries in the republics were transformed by this decree into republic ministries). Presumably, functions of the former Ministry of Automobile Transport and Highways which do not deal with roadbuilding (there is now a Chief Directorate of Roadbuilding attached to the Council of Ministers, USSR) 75/ have been taken over by the republics.

C. Changes in Ministerial Status.

Since early 1954 the status of 12 All-Union ministries has been changed to union-republic*; one union-republic ministry (Roadbuilding) has been changed into a chief directorate attached to the Council of Ministers, USSR; and two union-republic ministries (Justice and Automobile Transport and Highways) have been abolished at the national level. In this period of time, no union-republic ministry was changed to All-Union. The ministries changed from All-Union to union-republic status are Communications, Ferrous Metallurgy,

* See Appendix B.

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Nonferrous Metallurgy, the Coal Industry, the Petroleum Industry, Geology and Mineral Conservation, Construction, Construction of Metallurgical and Chemical Industry Enterprises, Higher Education, Paper and Wood Processing, Procurement (now Grain Products), and Construction of Coal Industry Enterprises. The stated reasons for the change in the status of these ministries were to further the development of the republics, to decentralize and streamline the central governmental apparatus, and to solve some of the longstanding problems in certain functions and areas of the economy. 76/ According to the most recent decree, the alterations were feasible because there are increasing numbers of experienced managerial and technical personnel now at the republic level. 77/

Some additional factors were involved in the change to union-republic status of the Ministries of Communications, Ferrous Metallurgy, Nonferrous Metallurgy, and the Petroleum Industry, as follows:

The Ministry of Communications was converted into a union-republic ministry in December 1954 after two internal reorganizations had been undertaken in 1953 and 1954 for the purpose of consolidating and simplifying the organizational structure. 78/ One reason given for the change was that the Ministry was over-centralized to such a degree that its over-all operational efficiency suffered. 79/ One of the weaknesses criticized was the lack of authority given to "authorized agents" -- the top communications officials in each republic. For example, kray and oblast directorates of communications were controlled directly from Moscow instead of being made subordinate to the authorized agents of their respective republics. 80/ Other structural and operational deficiencies of this Ministry included inflexibility in supplemental financing and confusion of chains of command in personnel management. 81/

The change in the status of the Ministry of Communications apparently was caused largely by the realization that the communications sector of the economy had developed its techniques and capabilities to the point where strict central control from Moscow could be partly

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relaxed. 82/ Under the new setup the union-republic Ministry in Moscow will still exercise direction in all important matters, but it will delegate to the republic counterpart ministries minor administrative duties, such as organization of the lower level units and control of the day-to-day operations of local enterprises and facilities. Personnel complaints, requests for housing and transfers, and many of the duties previously performed by the authorized agents will be assumed by the republic ministries. 83/ The change in the Moscow Ministry's status led to the delegation of minor administrative functions to the republic ministries. The maintenance of centralized operational control is essential because the trunk-line facilities of the communications system intersect all of the political boundaries of the country. Centralized control also is important from the point of view of national strategic policy, the need for standardization of system and procedures, and the requirement of uniform manpower training.

The two ministries in the metallurgical industry were also changed to union-republic status because of criticism of overcentralization. Following the conversion of the All-Union Ministries of Ferrous Metallurgy and Nonferrous Metallurgy to union-republic status in February 1954, a subordinate Ukrainian Ministry of Ferrous Metallurgy and a Kazakh Ministry of Nonferrous Metallurgy were established.

Before this change the metallurgical industry was highly centralized, with the Ministry in Moscow supervising many details of the activities of its field units. Relatively minor matters such as the failure of a plant to receive reducers for washing machines from another plant, the lack of a specialist in a certain plant, and a request to detach workers were all referred to Moscow for solution. 84/ []

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The establishment of subordinate Ministries of Ferrous Metallurgy, Coal, Communications, Paper and Wood Processing, and the Light and Textile Industries in the Ukraine has improved management and planning and financing practices by reducing the staffs of the Ukrainian Council of Ministers and of local management. 86/

Thus new union-republic ministries and some subordinate or counterpart republic ministries have been created; Bulganin stated that many subordinate units in various industries (coal, timber, oil, iron, steel, meat packing, dairy products, textiles, food, building materials, and motor and communications facilities) had been transferred from central to republic jurisdiction and that over 11,000 enterprises had been placed under republic jurisdiction in recent years. 87/ These measures have brought about some delegation of decision-making power which in turn should stimulate local initiative and more realistic planning and financing of lower level managerial units, thus expanding and improving certain features of the economy.

IV. Azerbaijdzhan Ministry of the Petroleum Industry as an Example of the Recent Reforms.

Serious shortcomings in the management of the Azerbaijdzhan petroleum industry were a major factor in the decision to change the Ministry of the Petroleum Industry, USSR, from All-Union to union-republic status and to establish a counterpart Ministry of the Petroleum Industry in Azerbaijdzhan. 88/ Sufficient information exists on this reorganization to develop a case study which is believed to be reasonably descriptive of the operations and objectives of recent Soviet managerial reforms.

A. Organization of the Petroleum Industry in Azerbaijdzhan Before Creation of the New Ministry. *

Before the new Ministry of the Petroleum Industry in Azerbaijdzhan was established, the various units of the petroleum

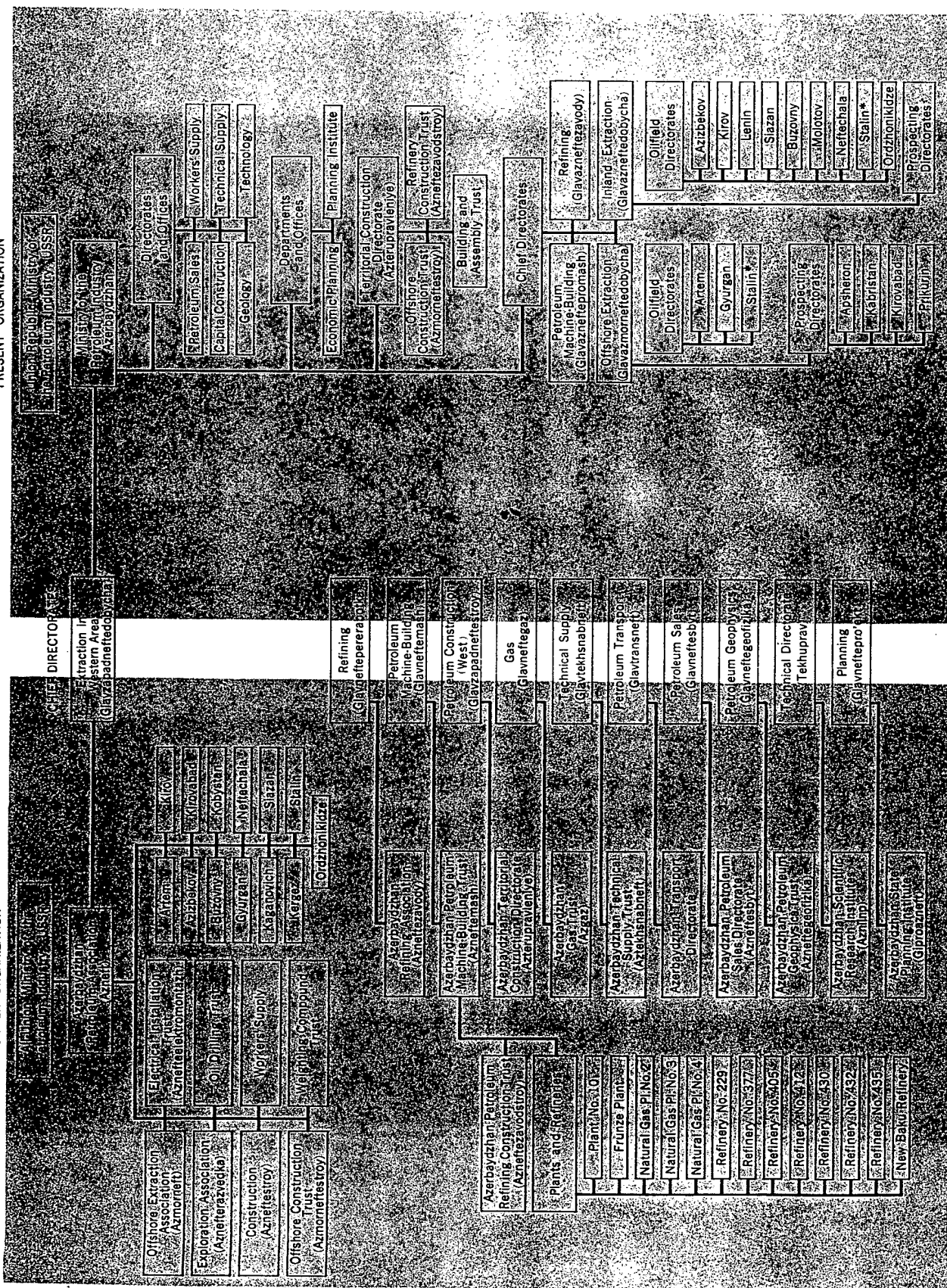
* See Figure 4, following p. 24.

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FORMER ORGANIZATION

PRESENT ORGANIZATION



* Oilfield directorate with both offshore and inland activities.

Figure 4

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industry in that area were supervised by several organizations which were on about the same administrative level. Each of these organizations was subordinate to the All-Union Ministry of the Petroleum Industry, USSR, and reported directly to a chief directorate in Moscow. The Azerbaydzhan Refining Association (Azneftezavody), for example, controlled all refining activities in Azerbaydzhan and was directly subordinate to the Chief Directorate of Refining (Glavneftepererabotka) of the Ministry of the Petroleum Industry, USSR. Thirteen refineries and plants and the Azerbaydzhan Petroleum Refining Construction Trust (Azneftezavodstroy) were subordinate to Azneftezavody. Similarly, the old Azerbaydzhan Petroleum Association (Azneft'), which directed field activities in oil exploration and extraction, was subordinate to the Chief Directorate of Extraction in Western Areas (Glavzapadneftedobycha), in Moscow. Subordinate units of Azneft' included organizations or Associations for Offshore Extraction (Azmorneft'), Exploration (Aznefterazvedka), Construction (Azneftestroy), the Offshore Construction Trust (Azmorneftestroy), the Electrical Installation Trust (Azneftelektromontazh), and 13 petroleum trusts. The petroleum trusts consisted of oilfields and so-called independent agencies.* 89/

Several other administrative organs in Azerbaydzhan had the same relationship to the Ministry of the Petroleum Industry, USSR, as Azneftezavody and Azneft'. They included the Petroleum Machine-Building Trust (Azneftemash), which was subordinate to the Chief Directorate of Petroleum Machine-Building (Glavneftemash); the Territorial Construction Directorate (Azterupravleniye), which was subordinate to the Chief Directorate of Petroleum Construction (West) (Glavazpadneftestroy); the Gas Trust (Azgaz), which was subordinate to the Chief Directorate for Gas (Glavneftegaz); and the

* In this discussion, Azneftezavody and Azneft' have been described in some detail in order to illustrate the general organizational pattern of the oil industry in that area. The fact that other organizations have not been described in similar detail is not intended to indicate that they were administratively inferior or subordinate to the above.

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Technical Supply Trust (Aztekhsnabneft'), which was subordinate to the Chief Directorate for Technical Supply (Glavtekhsnabneft'). 90/

Under this system, associations, directorates, and trusts in Azerbaydzhan were subordinate to different chief directorates in Moscow, and managerial coordination was poor at both the central and the republic levels. An additional complicating factor was the existence of three intermediate administrative levels between the All-Union Ministry of the Petroleum Industry, USSR, and the oilfields in Azerbaydzhan. 91/ This cumbersome structure resulted in obvious inefficiency. Some trusts, although in charge of only 1 or 2 oilfields, engaged in so much administrative work that their field operations had to be reduced. The subordinate oilfields and plants, in turn experienced an exceedingly heavy administrative burden, especially with respect to reporting and accounting. 92/ Trust and oilfield staff and production officials spent an inordinate amount of time in negotiations for local services provided by units subordinate to different supervisory agencies. These difficulties were further aggravated by frequent changes in orders from chief directorates in Moscow. The Chief Directorate of Petroleum Machine Building, for example, reportedly changed 1 plant's production schedule 12 times in the first 6 months of 1954. 93/

B. Organization of the Azerbaydzhan Ministry of the Petroleum Industry.

The Azerbaydzhan Ministry of the Petroleum Industry was established in May 1954 and was made responsible for all organizations of the union-republic Ministry of the Petroleum Industry, USSR, in that area in an attempt to remedy the condition described above. 94/ The organizations formerly in charge of refining and industrial machinery became chief directorates of the new Ministry, and new Chief Directorates for Inland Extraction (Glavazneftedobycha) and Offshore Extraction (Glavazmorneftedobycha) were set up to supervise extraction activities. The latter two directorates took over the 13 petroleum trusts and prospecting trusts which were formerly subordinate to Azneft' and reorganized them into field directorates. 95/

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The former Azerbaydzhan Territorial Construction Directorate retained the same designation under the new Ministry and now supervises the Offshore Construction Trust (Azmoreftestroy), the Refinery Construction Trust (Azneftezavodstroy), and the Building and Assembly Trust. 96/ Finally, several former organizations were converted to Directorates for Petroleum Sales, Capital Construction, Geology, Workers' Supply, Technical Supply, and Technology. 97/

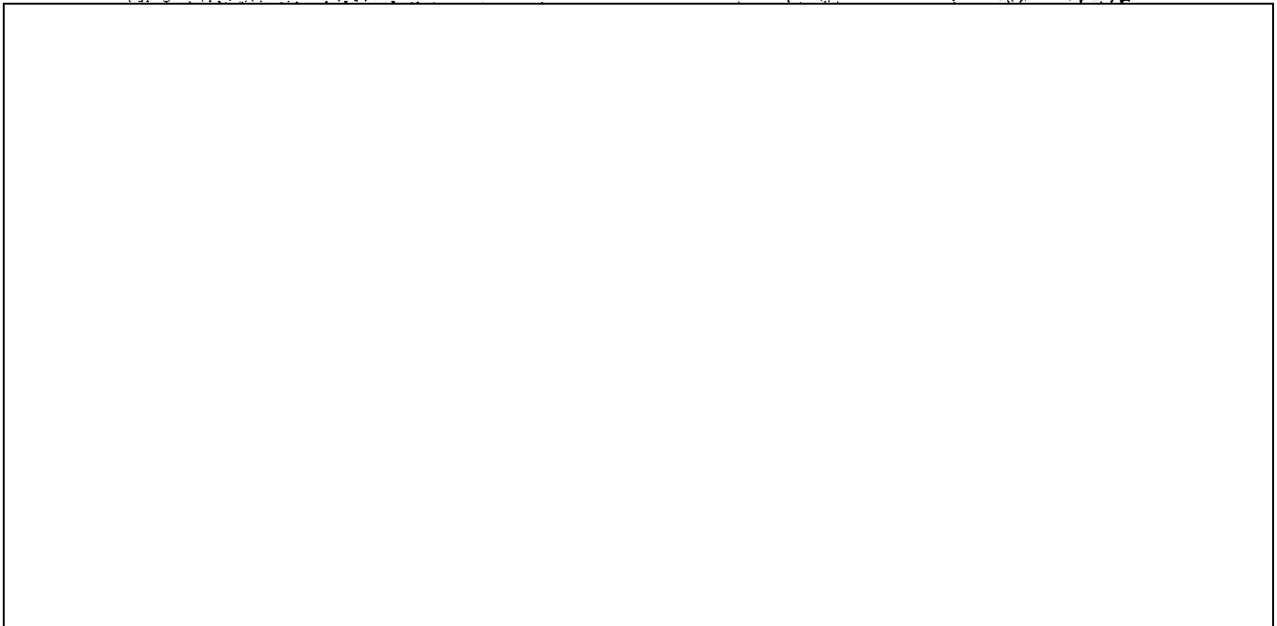
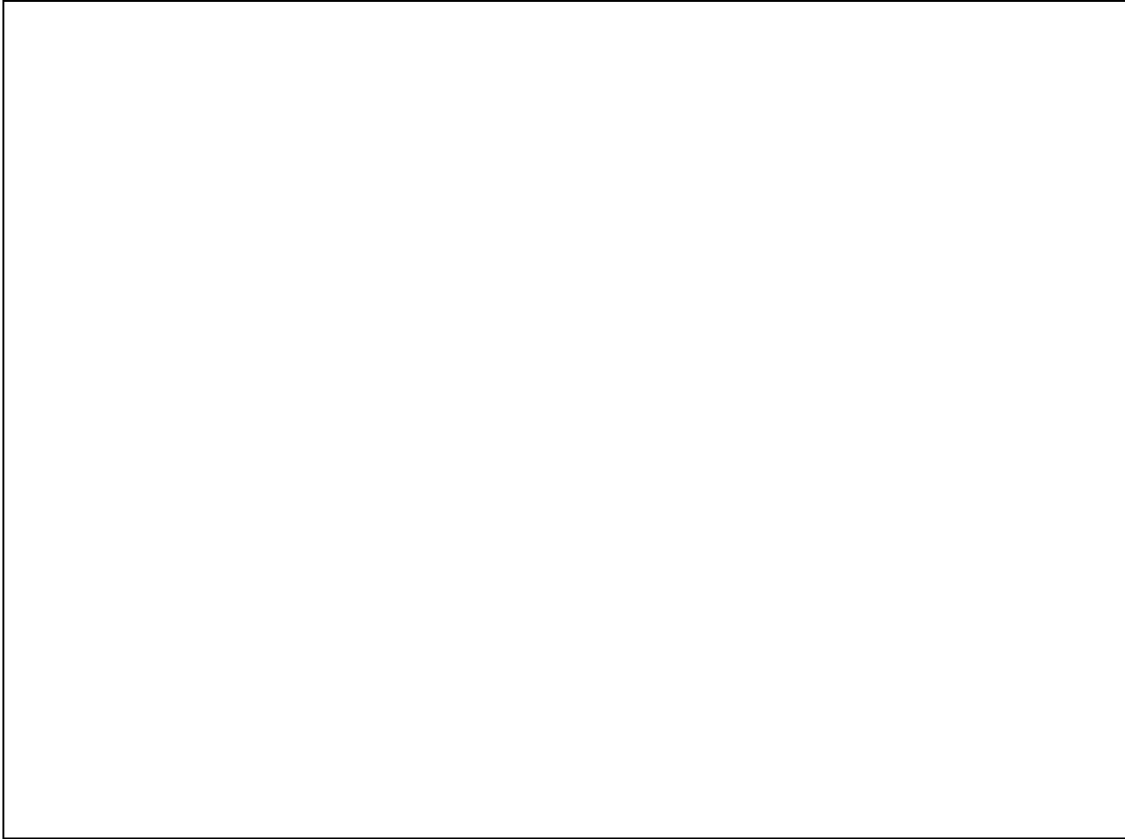
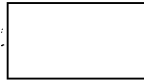
C. Operational Changes Under the New Ministry.

The changes in Azerbaydzhan simultaneously centralized authority in that area under the local Ministry of the Petroleum Industry and decentralized to that Ministry some of the control previously exercised from Moscow. This pattern illustrates an underlying concept of the reform program -- that strong local authority is a necessary condition for the relaxation of control from the center. In line with this concept, the reorganization in Azerbaydzhan abolished parallel operating levels, established clearer lines of subordination, amalgamated or eliminated various construction organizations and supply offices, reduced administrative staffs, and greatly simplified the relations between service, staff, and producing organizations. 98/ Moreover, at least six former associations and trusts, including Azneftezavody (now Glavazneftezavody), which previously reported to as many chief directorates in Moscow, now formally report only to the Azerbaydzhan Ministry, which in turn reports to the parent union-republic Ministry of the Petroleum Industry, USSR, in Moscow or to appropriate chief directorates of the latter. Local administrative responsibility was thus unified, and a more rational structure was created.

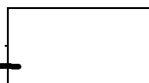
By July 1954 the Azerbaydzhan Ministry was in full operation. 99/ Soon it began to assert its right to be the channel through which administrative questions concerning units of the Azerbaydzhan petroleum industry should pass.

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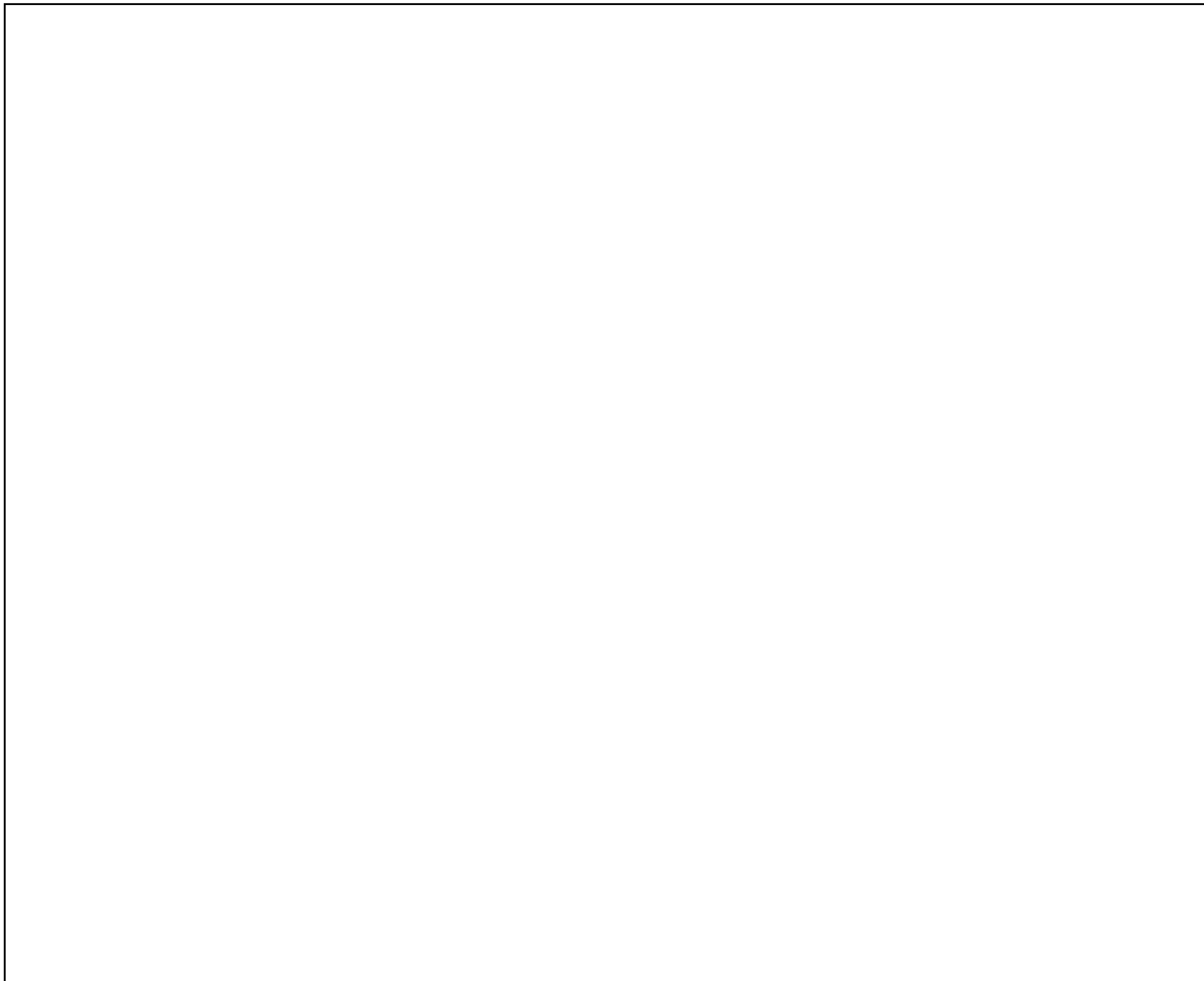
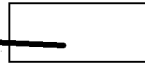
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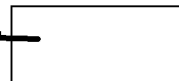


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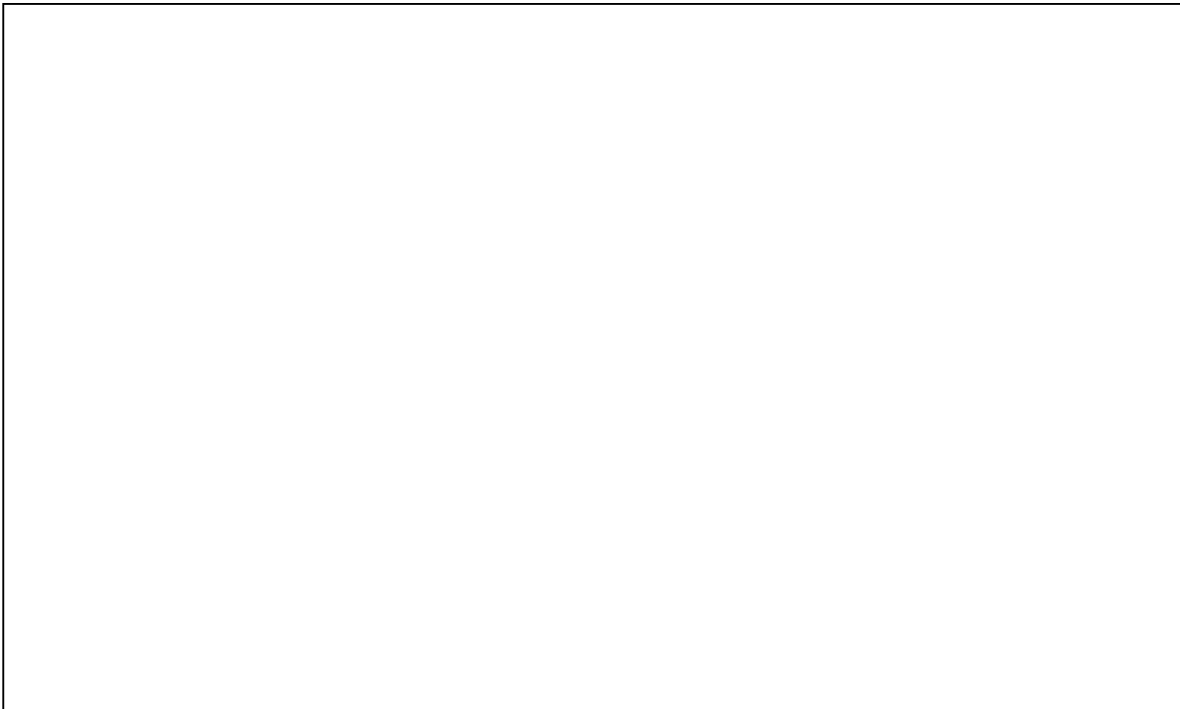
Thus a relatively satisfactory division of planning responsibilities between central and republic authorities apparently is being achieved in the Azerbaydzhan petroleum industry. By simplifying plan details the Moscow Ministry has confined its control largely to important questions of policy and to regional plan allocations of national totals. Local planning activities and those problems which relate more to operational considerations than to broad plan targets now are handled increasingly by the Azerbaydzhan Ministry. This Ministry, with the consent of the republic Council of Ministers and the central planning agencies, may change plans approved for subordinate units (up to a limit of 10 percent of the plan for petroleum products set for the republic as a whole) without formally changing its plan or budget. 108/

The planning of supply programs was also simplified by the general management reforms introduced in the USSR.

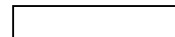
As a result of the necessity for central allocation of resources in the USSR, the Chief Directorate of Supply of the Moscow Ministry has continued to play the major role in procurement activities.

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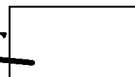
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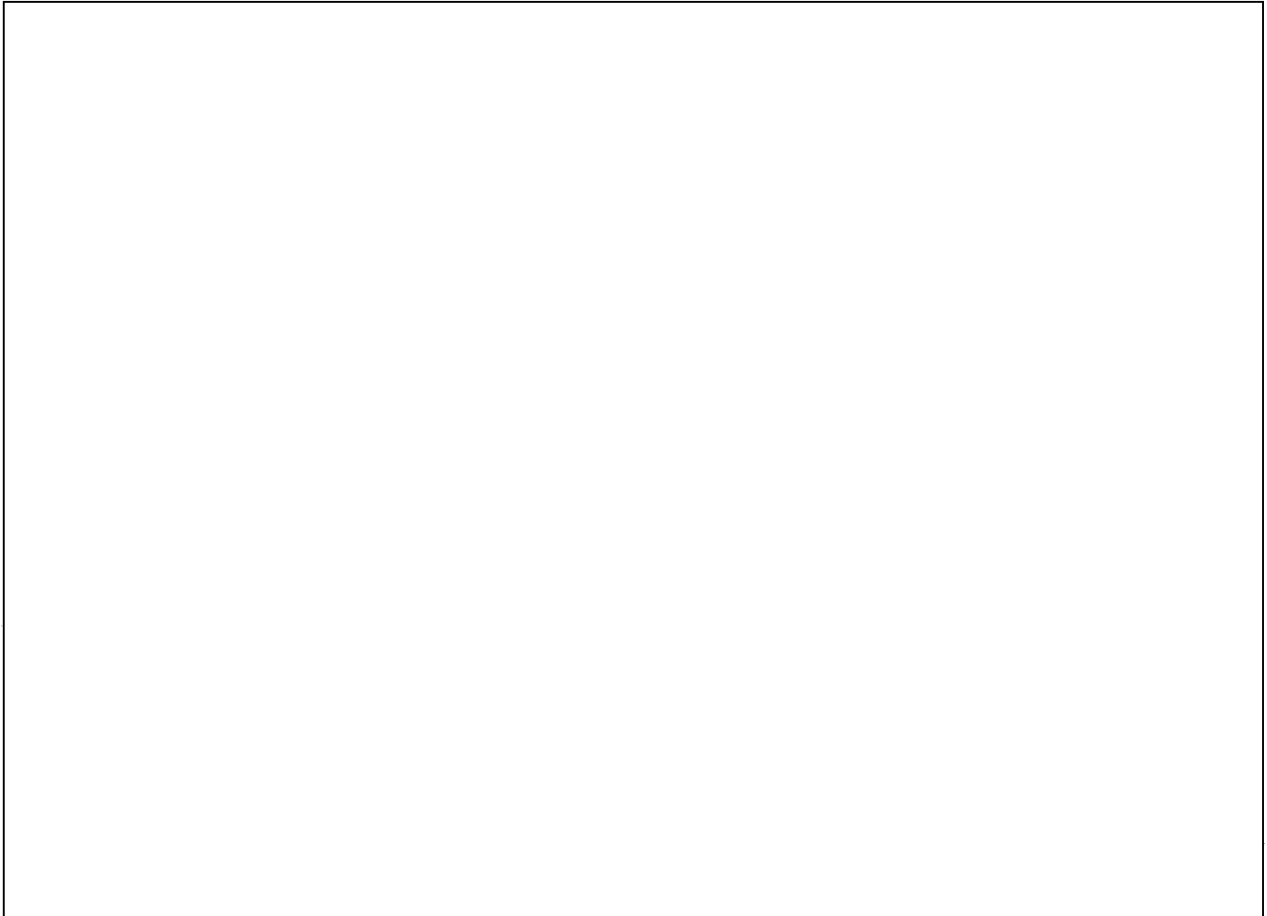
Sales activities also continue to be centralized.



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Decentralization has not proved to be a panacea, however, and criticism of the managerial situation in the area continued for some time after the establishment of the new Ministry. 127/ Nevertheless, the 1955 Plan-fulfillment announcements in the Azerbaydzhan petroleum industry indicate that real progress had been made. In December 1955 the Azerbaydzhan Minister of the Petroleum Industry announced triumphantly that in 1955 all branches of the industry had reduced production costs below the planned level -- in the first 11 months of the year, costs had been reduced by 48 million rubles. He also indicated that the plan for increasing labor productivity had been overfulfilled by 1.4 percent -- an absolute increase of 7 percent over the 1955 level -- and that the annual plans and Five Year Plans already had been fulfilled. 128/ Subsequent announcements indicated that in the final tally the Ministry fulfilled its 1955 Plan for gross production by 103 percent and its plan for increasing labor productivity by 101.7 percent. 129/ The Minister further stated that the shortcomings previously criticized had been rectified to a considerable

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extent. The formation of the Azerbaydzhan Ministry and the accompanying measures to relax centralization in management were undoubtedly important factors in these successes.

V. Significance of the Reforms.

The steps thus far undertaken to improve managerial efficiency indicate a recognition by Soviet leaders that effective managerial reform in a centrally planned economy calls for a basic reexamination of the division of responsibilities between the various levels of the administrative hierarchy and not merely piecemeal efforts to correct isolated deficiencies. The specific measures adopted have represented a rational approach to the problem of improving the system of industrial planning and administration. Considerable progress has been made with respect to simplification of economic plans and planning procedures, partial decentralization of administrative responsibility and authority, and improvement of the over-all organizational structure.

Available evidence indicates that the planning reforms introduced since 1953 have been implemented in several important respects. The simplification of the national plan and the concomitant reduction in the amount of detail referred to the central authorities have in considerable measure been carried through. This simplification at each level has been accompanied by a corresponding transfer of planning functions and responsibilities from higher to successively lower administrative levels. Although the assumption of additional planning powers by the ministries was realized by 1955, progress toward increasing the role of the enterprise in planning has been slower. Only in the formulation of the 1956 Plan were there indications that enterprises were working out details of annual technical-industrial-financial plans on their own responsibility. There is also evidence that some use was made of the new right of enterprises to participate in the drafting of Five Year Plans when the Sixth Five Year Plan was prepared. The actual influence exerted by enterprises, however, was still rather negligible.

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Developments in decentralization of operational control have paralleled those in planning. Increased freedom of action was first manifested on the ministerial level and took the form of greater control over the scheduling of production and the disposition of resources. It was not until early 1955, however, that firm progress was made toward increasing the powers of enterprise directors. During the remainder of the year the latter were given more freedom in directing production operations. They may now, within specified limits, change technological processes, alter internal tables of organization, carry wage funds over into subsequent plan quarters, spend working capital for capital repairs, dispose of surplus materials and supplies, and accept independent purchase orders from other enterprises and organizations. The reforms already introduced and those now in the offing are expected to improve the whole structure of enterprise management.

Reorganization of the ministerial structure in several Soviet industries since 1954 has also improved the internal management of the industries. This has resulted in simpler and more rational organizational structures, more clearly defined responsibilities in ministerial chains of command, a limited decentralization of the Moscow-centered decision-making power, and a general reduction of administrative costs. Industrial management has measurably benefited by these changes.

The most important single organizational innovation has been the conversion of 12 ministries from All-Union to union-republic status. Its announced purpose was to "bring administration closer to production" by decentralizing a number of ministerial functions and establishing responsible centers of administrative authority in the republics. In line with this policy, ministries have been established in republics which are important production centers for the industries concerned. This has resulted, at least to some extent, in reductions in the supervisory apparatus of the Moscow ministries and in greater freedom of operational action for lower level management.

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The various managerial reform measures undertaken in the USSR are expected to result in increased productivity as demonstrated by the rise in output of the Azerbaydzhan petroleum industry following the limited ministerial decentralization in that republic.

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APPENDIX A

DECREES AND ORDERS OF THE COUNCIL OF MINISTERS, USSR, RELATING TO MANAGERIAL REFORM 130/ 1953-56

Number of Decree or Order	Date	Subject of Decree or Order
1002	11 April 1953	Expanded the rights of ministers of the USSR
?	16 May 1955	Granted to ministries certain rights to transfer equipment
2098	6 October 1954	Granted to ministries and departments of the USSR and the union republics and to the enterprises and establishments the right to finance certain expenditures through allotments from national, republic, and local budgets in 1954
401	December 1954 (?)	Expanded the rights of ministers
2980	21 December 1953	Granted the Ministry of Procurement certain rights to organize some local organizations of its ministry
?	9 August 1955	Expanded rights of managers
2879	8 April 1955	Granted to enterprise directors the right to sell surplus material and supplies
?	11 April 1953	Reduced the administrative staffs of ministries and subordinate organizations
?	5 December 1953	
?	25 December 1953	

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Number of Decree or Order	Date	Subject of Decree or Order
13106-R	10 December 1954	Granted an increase in the amount for financing above-limit capital investments
?	May 1955	Changed the procedure of state planning and financing of union republics
?	March 1955	Greater decentralization in planning
861	4 May 1955	Greater decentralization in planning
1422	5 July 1955	Greater decentralization in planning
P1650 (letter)	11 August 1955	Greater decentralization in planning
1263	13 July 1955	Ministerial reorganizations
?	30 May 1956	Changed the status of some ministries from All-Union to union-republic, placing a number of enterprises under the jurisdiction of the union republics and authorizing further increases in the rights of ministers of the union republics
12053	November 1954	Restricted the authority of ministries and departments and of republic councils of ministers to redistribute appropriations and to change the volume of capital investment in approved annual plans.

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APPENDIX B

MINISTRIES CHANGED FROM ALL-UNION TO UNION-REPUBLIC STATUS
IN THE USSR 131/
1954-56

<u>Date of Change</u>	<u>Ministry</u>	<u>Republics with Counterpart Ministries</u>
February 1954	Ferrous Metallurgy	Ukrainian
February 1954	Nonferrous Metallurgy	Kazakh.
April 1954	Coal Industry	Ukrainian
April 1954	Construction	Belorussian and Uzbek
May 1954	Petroleum Industry	Azerbaydzhan
December 1954	Communications	All
December 1954	Higher Education	Ukrainian
August 1955	Paper and Wood Processing	Ukrainian
January 1956	Geology and Mineral Conservation	Kazakh.
January 1956	Construction of Metallurgical and Chemical Industry Enterprises	Kazakh and Ukrainian
April 1956	Construction of Coal Industry Enterprises	Ukrainian
May 1956	Procurement (now Grain Products)	

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APPENDIX C

METHODOLOGY

This report began with the charting of Soviet objectives in the managerial reform movement. Within this framework the accomplishments of the movement were analyzed on the basis of both official public announcements and covert intelligence sources.

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APPENDIX D

GAPS IN INTELLIGENCE

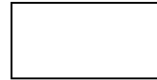
Several gaps exist in the available information concerning recent Soviet managerial reforms. With respect to basic Soviet policy, the deficiency is primarily a matter of detail. The general character of the improvements already introduced or scheduled is known, but information concerning many of the specific details of policy directives is not yet available.

Information concerning the effectiveness of the managerial reforms already introduced, however, is much less satisfactory. Twelve ministries have been changed from All-Union to union-republic status, but only in the cases of the communications and the petroleum industries was concrete evidence available concerning the operations of the newly created union-republic ministries.

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APPENDIX E

SOURCE REFERENCES

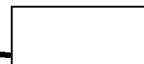
Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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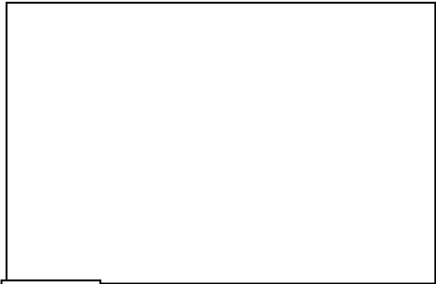
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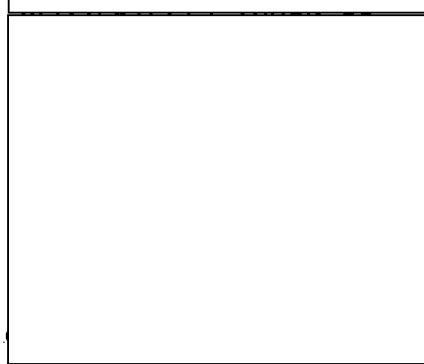
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